



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

October 21, 2009

Certified Return Receipt
7003 2260 0002 0247 8690

Jean Rafols
Zions Bank
International Operations
550 South Hope Street, 3rd Floor
Los Angeles 90071

Subject: Non-Renewal of Letter of Credit # [REDACTED] Wah Wah Slate and Flagstone: Drumbeat #1, 2, 3, and 4; S/023/0089, Juab County, Utah

Dear Ms. Rafols:

The Utah Division of Oil, Gas and Mining (Division) received your letter dated October 19, 2009, regarding non-renewal of Letter of Credit # [REDACTED] in the amount of \$8800.00. The mine operator, Wah Wah Slate and Flagstone, has been advised that a replacement surety must be provided by December 24, 2009. If a replacement surety is not provided by that date, the Division will immediately submit to you its sight draft for the full face value of the letter of credit. The Division anticipates that payment of \$8800.00 will be made by delivery of certified funds payable to the State of Utah within two days following your receipt of the sight draft. Payment should be sent to the above address by a next day delivery. The Division will hold the funds as surety for the Bureau of Land Management and itself to be used for reclamation of the Drumbeat #1, 2, 3, and 4 mine pending a forfeiture action to be filed before the Board of Oil, Gas and Mining.

We are anticipating that the operator will not fulfill this bonding requirement and the Division will have to move forward with the presentation of the sight draft. Please advise if you have any questions and let me know in writing if this procedure is not acceptable.

Thank you. If you have any questions, please feel free to call me at (801) 538-5261.

Sincerely,

Paul Baker
Minerals Program Manager

PBB:pb

Enclosure Letter dated October 19, 2009, and Sight Draft

Cc: jerry_mansfield@blm.gov

Opie_abeyta@blm.gov

P:\GROUPS\MINERALS\WP\M023-Juab\S0230089 Drumbeat1,2,3,4\final\cancel-bank-10212009.doc



October 19, 2009

BENEFICIARY:

UTAH DIVISION OF OIL, GAS AND MINING
1594 WEST NORTH TEMPLE, SUITE 1210
P.O. BOX 145801
SALT LAKE CITY, UT 84116-5801

AND

UNITED STATES BUREAU OF LAND MANAGEMENT
UTAH STATE OFFICE
324 SOUTH STATE
SALT LAKE CITY, UT 84145

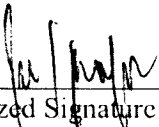
RE: Our Standby Letter of Credit No.
Issue date: JANUARY 26, 2006
Current Amount: USD8,800.00
Applicant: WAH WAH SLATE AND FLAGSTONE, L.C.
Expiry date: JANUARY 23, 2010

Dear Sir/Madam:

This is to inform you that we have elected not to renew the above-referenced Standby Letter of Credit for any additional periods. This credit will expire finally on January 23, 2010.

If you have any questions concerning this transaction, please call us at (800) 551-0110 Ext.2131, 2128 or (213) 593-2131, (213) 593-2128.

Best regards,


Authorized Signature **Jean Rafols**
Assistant Vice President

CC: Justin Taylor

RECEIVED

OCT 20 2009

DIV. OF OIL, GAS & MINING

EXHIBIT A – SIGHT DRAFT

To
Letter of Credit Number

Date

City, County

Letter of Credit No.

PAY TO THE ORDER OF: Utah Division of Oil, Gas and Mining

_____ DOLLARS

TO: ZIONS FIRST NATIONAL BANK, Los Angeles
International Operations
550 South Hope Street, 3rd Floor
Los Angeles, California 90071

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

By: _____
Authorized Signature

EXHIBIT B
to
Letter of Credit Number ZSB801572

I, _____ a duly authorized representative of the Utah Division of Oil, Gas and Mining, hereby certify that (1) the drawing in the amount of \$_____, by sight draft accompanying this certificate, under Letter of Credit No. _____ dated _____ issued by you is permitted under the provision of the Letter of Credit, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount, and (4) the amount to be drawn is necessary to assure or complete reclamation of the Drumbeat #1-2-3-4 , number S/023/089 in accordance with applicable law.

The Utah Division of Oil, Gas and Mining

By: _____
Authorized Signature

Date _____